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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002443

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TAGS: ECON ETRD PGOV IZ

SUBJECT: COR OIL AND GAS CHAIR EXPLAINS STATUS OF OIL LAW

REF: BAGHDAD 2331

Classified By: Economic Minister Charles Ries for reasons 1.4 (b) and (d).

¶1. (C) Summary: Chair of the Oil and Gas Committee at the Council of Representatives Ali Belu discussed the status of the hydrocarbon law with Economic Minister on July 23. Belu, a KDP member of the Kurdish Alliance at the Council of Representatives (CoR), said that differences remain between the Kurdish and Shi'a parties, and said that he would not allow the law to be put on the agenda for a first reading without express permission from KRG Prime Minister Nechirvan Barzani. Belu blamed the Shi'a parties for asking for new changes to the text and called for a return to the agreed text of February 26. Belu said that final negotiations were underway in his committee about the text of the Private Sector Investment in Oil Refineries Law, which may go to a vote as early as July 25. End summary.

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Negotiations Continue, Little Progress  
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¶2. (C) Oil and Gas Chair Ali Belu told EMIN that differences remain between the Kurdish and the Shi'a parties with regards to the text of the framework Hydrocarbon Law. He said that there is a great deal of mistrust as a result of the lack of transparency in the review process (reftel). Most recently, for example, he said that the central government submitted a version on July 3 to the CoR, and then submitted another version ten days later. At this point, Belu said, the Kurdish position is to go back to the February 26 text. He added that Nechirvan Barzani will send a letter via Rowsch Shaways to Prime Minister Maliki detailing the Kurdish position on this law.

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No First Reading Without Nechirvan's Approval  
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¶3. (C) EMIN suggested that it might be possible to hold a first reading of the framework Hydrocarbon Law before the negotiations are finalized, as many laws change between the first reading and the vote. Belu said that Deputy Speaker of the CoR Khalid Attiya had made the same suggestion to him earlier that day, but the KRG refused to allow a first reading until there is a final agreement on the text. "If Nechirvan Barzani sends me a fax telling me to allow a first reading, I will allow a first reading," Belu said.

¶4. (C) Belu agreed that this law is important, particularly so that Iraq can benefit from foreign capital and technical expertise. He thinks that it would take too long for Iraq to modernize and develop the oil and gas infrastructure without outside assistance. He noted that there is still intense resistance from the Fadhila party, who he said enjoys the current disorganization, and the Tawafuq party, who he said thinks that only U.S. companies will benefit from the law.

EMIN countered that if the framework hydrocarbon law is adopted, there will be interest from oil and gas companies from all over the world. EMIN emphasized the importance of moving forward with this legislation, underscoring the upcoming benchmark review date in September. "It's better if there is more time to review the law," Belu said, "so that it won't be seen as a decision made as a result of U.S. pressure."

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Private Investment in Oil Refineries  
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¶15. (C) EMIN also asked about the separate legislation concerning private investment in oil refineries. This law has been under review at the CoR for several months, and Belu said that he hoped to put it on the agenda for a vote by July ¶25. Negotiations now centered on the paragraph allowing regional authorities to grant licenses "with the agreement of" or "in coordination with" the Ministry of Oil. (Note: Developing the text of the framework Hydrocarbon Law has involved very similar types of negotiations. End note.) EMIN said that approving this law would be a useful indication that the Iraqi government is able to make progress in developing opportunities for the oil industry.

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Comment  
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¶16. (C) Ali Belu has taken directions from the KRG regarding how to vote on key legislation throughout the year, so it is not surprising that he reflects the KRG position so faithfully now. His blame of the Shi'a coalition for

BAGHDAD 00002443 002 OF 002

restarting negotiations and increasing distrust between the parties is to be expected; the Kurds have certainly taken advantage of the opportunity to request more conditions as well. The emphasis on returning to the February 26 text is at odds with Belu's earlier statements that many of the Shura Council's changes to the legal language improved the law.  
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